



0000201476

COMMISSIONER LEA MÁRQUEZ PETERSON'S PROPOSED AMENDMENT NO. 2

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL
TIME/DATE PREPARED: May 5, 2020

COMPANY: Arizona Public Service CompanyAGENDA ITEM NO.: 26DOCKET NO.: E-01345A-20-0080OPEN MEETING DATE: May 5-6, 2020

Purpose: Energy efficiency is a vital component of Arizona's energy mix, which must be protected. However, to provide as much relief for customers during COVID-19 as possible, this Amendment temporarily suspends APS's DSM surcharge until further order of the Commission—while sending a clear and unambiguous signal to APS that the Company must continue to invest in cost-effective energy efficiency resources through 2020, while tracking and recording the expenses for the Commission to address at a future time.

For the last three years, each customer in APS's service territory has been paying a surcharge of \$0.000982 per kWh and \$0.353 per kW on their monthly electric bills to help fund the Commission's mandatory energy efficiency requirements. While the Commission's mandatory programs have helped to bring significant kilowatt hour savings for customers throughout Arizona, and have helped to support jobs and long-term savings across multiple customer classes across the state, several Commissioners and stakeholders to-date have, at various times and in various dockets, questioned whether utilizing a surcharge is the best approach for funding DSM programs for this state going forward.

The American Association of Retired Persons (AARP), for example, issued a report in 2012 that described four reasons why surcharges pose a risk to customers, including that a utility "may over-collect these costs," which "should ultimately be returned to ratepayers."¹ The report concluded that the "use of surcharges is a deviation from traditional ratemaking and puts customers at risk for overpaying for safe and reliable utility service."² More recently, AARP has expressed concerns regarding surcharges during COVID-19, stating, "In light of the new economic realities, AARP urges you to re-evaluate all non-essential utility expenditures. Examples of utility programs that are not essential or could drive up rates during the recovery include . . . [s]urcharges that provide extra compensation for certain investments."³

Another example is the Southwest Energy Efficiency Project (SWEET), which has been instrumental in helping Arizona develop a strong energy efficiency standard in the past and an active participant in this matter to help the Commission evaluate APS's Customer Relief Package. In recent months, SWEET has proposed several ideas regarding how DSM programs could be funded through other, more progressive and innovative approaches, such as those that do not involve a surcharge.⁴

¹ See Larkin & Associates PLLC for AARP, Increasing Use of Surcharges on Consumer Utility Bills (May 2012), https://www.aarp.org/content/dam/aarp/aarp_foundation/2012-06/increasing-use-of-surcharges-on-consumer-utility-bills-aarp.pdf.

² *Id.*

³ See Correspondence from AARP (Apr. 10, 2020), <https://docket.images.azcc.gov/E000006301.pdf>.

⁴ See SWEET's Direct Revenue Requirement Testimony (Oct. 11, 2019), <https://docket.images.azcc.gov/E000005226.pdf>; SWEET's Surrebuttal Testimony (Dec. 16, 2019), <https://docket.images.azcc.gov/0000200393.pdf>; See also Comments of SWEET on Options to Pay for and Recover the Costs of Utility Energy Efficiency Programs (Mar. 11, 2020), <https://docket.images.azcc.gov/E000005258.pdf>.

Arizona Corporation Commission

DOCKETED

MAY - 5 2020

DOCKETED BY

According to SWEEP, allowing companies to record and recover the expenses associated with energy efficiency mechanisms that do not impose a surcharge on customers' bills would provide greater certainty for both the customers and stakeholders that (1) future budgets will remain stable, (2) energy efficiency investments will be viewed and treated on equal footing with other capital investments, and (3) that short-term and long-term rate impacts will be reduced.⁵ Moreover, the recent history surrounding the energy efficiency funding of one electric service provider in Southern Arizona, according to SWEEP, “[U]nderscores that continued reliance on the existing DSM Surcharge, as the primary mechanism to fund efficiency programs, provides a less stable funding mechanism that can be more easily disrupted, leading to customer dissatisfaction and lack of program delivery.”⁶ “[R]eliance on the DSM Surcharge,” continues SWEEP, “directly jeopardizes” “the shared aim” to “assure continued benefits from” “and consistent and predictable recovery levels for” energy efficiency programs in the state.⁷

Although adopting only a temporary suspension of APS’s DSM surcharge for purposes of granting immediate COVID-19 relief may not go as far as stakeholders such as SWEEP and AARP have proposed, providing customers with some temporary relief from the the Company’s surcharge, today, while sending a clear and unambiguous signal to APS that it must continue to invest in long-term cost savings for customers through 2020, will help to reduce a line-item on thousands of customers’ bills and provide immediate relief for customers who have paid into APS’s DSM fund but will not get to benefit from APS’s Customer Relief Package or refund.

Because customers of all classifications have been paying into APS’s DSM fund over the last three years, the Commission must consider the impact that has resulted for not taking action sooner, and it must consider all options that are available to the Commission, to grant as much relief for customers as is possible, for as many customers as possible, during COVID-19. Normally, the Commission would have adjusted the Company’s surcharge up or down in 2017, 2018, and 2019 to match changes to the Company’s approved DSM spending from year-to-year, but the Commission failed to vote on any of APS’s DSM Plans for the last three years—resulting in millions of dollars that were paid into an interest-bearing account that many customer classes will never get to see, as either a part a targeted COVID-19 Customer Relief Package or as a refund.

Although there are many questions regarding how this was allowed to take place, and why the Company did not come to the Commission for guidance sooner, before it made the assumptions that it made, the Commission’s first priority should be on the customers, on seeking to fix the issues that caused these circumstances to take place, and on providing as much relief to customers during COVID-19 as possible, for as many customers as possible.

Therefore, this Amendment not only adopts the temporary suspension informed by SWEEP and AARP above, but also seeks to expedite a decision on APS’s pending DSM Plan to ensure the Commission never allows multiple years of pending DSM Plans to go unapproved by the Commission again. To accomplish these ends, this Amendment adopts the joint stakeholders’ recommendation and lifts the bureaucracy that prevented the Commission from voting on APS’s previous DSM Plans in 2017, 2018, and 2019 and requires APS to file an amended 2020 DSM Plan no later than May 15, 2020. The Amendment then directs Commission Staff to prepare and file a Recommended Opinion and Order no later than June 1, 2020, in anticipation of the Commission’s vote in June 2020.

⁵ Id.

⁶ Id.

⁷ Id.

Ongoing investments in cost-effective energy efficiency resources cannot be emphasized enough and must continue without abatement; but, the DSM surcharge customers of all classes have been paying over the last three years must be questioned as SWEEP and AARP have suggested and temporary suspended to provide immediate relief and a fair resolution to customers who will not get to benefit from the Company's targeted Customer Relief Package or refund. This Amendment recognizes these principles and preserves and protects the Commission's long-term energy efficiency objectives while providing as much relief as possible for customers during COVID-19.

INSERT new Ordering Paragraphs:

IT IS FURTHER ORDERED that, in an effort to provide as much relief for customers during COVID-19 as possible, Arizona Public Service Company's current Demand-Side Management Adjustment Charge (DSMAC) of \$0.000982 per kWh and \$0.353 per kW approved in Decision No. 76313 (Aug. 23, 2017) shall be temporarily suspended until further order of the Commission.

IT IS FURTHER ORDERED that Arizona Public Service Company shall continue to make energy efficiency investments consistent with this Decision and may track and record all DSM expenditures and investments the Company makes from January 1, 2020, to the date the Commission approves the Company's 2020 DSM Plan, with the cost coming (i) first from any collected but unspent DSMAC funds and accrued interest that the Commission has not otherwise allocated in this Decision and (ii) second from a source the Commission will address at a future time.

IT IS FURTHER ORDERED that, to address changes to APS's DSMAC funds as a result of this Decision and to help ensure that the Commission votes on a 2020 DSM Plan for APS before the end of this DSM year, Arizona Public Service Company shall file an amended 2020 DSM Plan no later than May 15, 2020.

IT IS FURTHER ORDERED that the continued investment in cost-effective energy efficiency measures, load management, and demand response programs, that make meaningful reductions to system costs, must be upheld and supported. As these programs provide long-term savings for customers, the Commission must send a clear and unambiguous signal to Arizona Public Service Company that they must continue investing in cost-effective energy efficiency measures and demand response programs through 2020. Until further order of the Commission, Arizona Public Service Company shall be hereby authorized to, and shall, continue spending on cost-effective DSM programs that meet the following criteria: (i) the Commission has approved the DSM program in a previous Commission decision or the Company has proposed the DSM program in the Company's DSM Plan; and (ii) the DSM programs show demonstrable reductions to peak demand or savings to energy capacity. Because peak demand and capacity are the greatest drivers of cost for customers in Arizona, Arizona Public Service Company's amended 2020 DSM Plan, and all future DSM Plans, shall prioritize energy efficiency measures that produce the highest energy savings coincident with system peak and system need.

IT IS FURTHER ORDERED that, in an effort to promote continued and proactive utility investment in cost-effective energy efficiency programs and measures, including load management and demand response, Arizona Public Service Company's amended 2020 DSM Plan shall treat programs and measures related to energy efficiency, load management, and demand response as expenditures and investments on equal footing as other utility resources.

IT IS FURTHER ORDERED that, to help provide a more stable mechanism for funding and recovering the expenses associated with energy efficiency measures and demand response programs in the future, Arizona Public Service Company's amended 2020 DSM Plan shall address the issue of surcharges and offer two or more alternative proposals for tracking and recovering the expenses associated with energy efficiency investments that do not involve a surcharge.

IT IS FURTHER ORDERED that Commission Staff, either the Utilities Division or Hearing Division, shall prepare and file a Recommended Opinion and Order of Arizona Public Service Company's amended 2020 DSM Plan by no later than June 1, 2020, in preparation for Commission consideration and vote at the June 2020 Open Meeting.

IT IS FURTHER ORDERED that, to expedite the review of APS's amended 2020 DSM Plan and have a Recommended Opinion and Order prepared and filed by Commission Staff no later than June 1, 2020, Commission Staff shall not re-run Arizona Public Service Company's cost-effectiveness analysis before APS's DSM Plan is approved. To protect customers, Arizona Public Service Company shall have its independent evaluator include a third-party analysis of cost-effectiveness during the Measurement, Evaluation, and Reach (MER) process, for inclusion in Arizona Public Service Company's 2020 DSM progress report.

**** Make all conforming changes**

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed	_____ Not Offered	_____ Withdrawn